



## Post the price, please.

*Two bills claim to make health care prices transparent. Only one does. Here's why.*

The Oregon State Legislature is poised to debate the merits of two pieces of legislation with very different approaches to making health care prices more transparent and publicly available for consumers. [Senate Bill 891](#) would require Oregon health care facilities to post their own prices publicly, like other businesses, and provide real-time price estimates on request. [Senate Bill 900](#) would require the state to set up a website with aggregated data about average amounts collected by Oregon hospitals for the most common health care procedures.

While these bills may appear to be aimed at accomplishing the same ends, the differences are profound. Here are the key differences in a nutshell:

**SB 891 would provide consumers with accurate, actionable information about prices that would be included in a bill. SB 900 would not.**

Health insurance plans with deductibles and coinsurance have become more popular in part because they are perceived as giving consumers “skin in the game” and giving them more responsibility to control their own health care costs. However, it is impossible for consumers to use this responsibility without ready access to negotiated prices.

That's because consumers are often required to pay all or part of the price that their insurer pays for health care services they use. This number is called the “allowed amount,” but will be referred to as “the price” in this paper. The price is negotiated between health care payers and providers, can vary widely between different insurers, and traditionally has been kept secret from consumers.

SB 891 would require health care facilities to post these prices publicly, both online and at the facility, broken down by each of the top health care payers in the state. In contrast, SB 900 would require the government to aggregate historical claims data from commercial insurers and government programs. Since the price for a procedure can vary widely between different insurers, the aggregate number would not be actionable for a consumer.

Even the leader of Oregon's hospital trade group admits this. From the Salem Statesman Journal (3/16/2015):

*“Andy Davidson, president and CEO of Oregon Association of Hospitals and Health Systems, admitted the database might be more of an educational and awareness tool rather than something to plan personal finances around.”\**

One defense of keeping prices a secret is that the actual portion of the price that a consumer will pay will vary depending on the details of their insurance plan, and thus the price isn't meaningful for consumers. However, this ignores the fact that our private insurance system makes it necessary for

consumers to do some math in order to calculate their out-of-pocket obligation. That's the reality of ensuring that consumers have "skin in the game".

The data provided by SB 900 would not be completely meaningless. It would have some uses, including providing policymakers and the public with some information about average price variations across Oregon hospitals. But it would not provide an accurate price signal to Oregon consumers – and that's what our goal should be.

**SB 891 would enable the creation of consumer-friendly tools and shopping guides that would help Oregonians shop around and identify high-value health care. The impact of SB 900 would be much more limited.**

The online price postings included in SB 891 would be required to adopt a consistent machine-readable format. This detail is important because it would empower outside organizations and companies to make the data more useful for consumers via the development of apps and web tools, as well as shopping guides like those produced by Consumer Reports.

The success of health care price transparency services like Castlight Health and HealthSparq demonstrates that there is a market for this data. The business model of these organizations is currently based on developing proprietary contractual arrangements with insurers and large employers, but with broader public access to data, these innovative companies could create tools for a broader audience that could enable more informed consumerism in health care. They could also explore combining the data from the price posting required by SB 891 with existing public data on health care quality to help consumers make decisions about value, not just cost.

SB 900 would not enable the development of this kind of tool. The data posted to the OHA website could be used to inform consumers about average price variations between hospitals, but this kind of information is of limited use to consumers on a limited budget who need to know the actual cost of services in advance.

**SB 891 would enable consumers to request an actionable estimate in real time, at the point of service. SB 900 does not include any provisions to this effect.**

SB 891 would require health care facilities to provide an estimate upon request without unreasonable delay, in a timely enough fashion to enable consumers to make an informed decision about whether to access a health care service.

This estimate would include both the posted price for the service and any ancillary charges that might be included in a bill, including facility fees and out-of-network fees. With consumers increasingly aware of the danger of receiving surprise bills when out-of-network providers participate in procedures in in-network facilities, this provision will be especially important.

SB 900 does not include a provision for in-person estimates. The Oregon Association of Hospitals and Health Systems has recently stated that their membership has volunteered to provide price estimates on request to uninsured and self-pay patients, but this is not included in the bill.<sup>4</sup> This voluntary agreement does not appear to extend to providing estimates to insured patients, even if they may face thousands of dollars in out-of-pocket costs in deductibles and coinsurance.

**SB 900 requires the state to engage in a complex IT project, at significant cost to Oregon taxpayers. SB 891 puts the responsibility on health care facilities themselves to post their prices, like other businesses.**

Unlike SB 900, SB 891 will not require the state government to spend additional funds to implement its requirements. Under SB 891, the role of the state is limited to defining a standard format for health care facilities to use to post their prices, and enforcing these requirements through its existing licensure program.

Some health care industry interests have expressed concern that SB 891 will create an administrative burden. While it is true that posting prices will require health care facilities to change their current practices, these changes simply hold health care providers to the same standard as any other business, and are quite reasonable to expect given the consumer need for actionable price information.

Moreover, hospitals and other facilities already have staff and resources devoted to billing and managing reimbursement rates; SB 891 simply requires that those activities are made more public and transparent for patients.

Regardless of the merits of spending taxpayer funds to create the website outlined in SB 900, putting all of the responsibility on Oregon's state government to provide health care price data to consumers could appear to absolve the health care industry of their responsibility to make their prices available to their customers, like other businesses.

**SB 891 would strengthen the doctor-patient relationship and begin a needed transformation of the practice of medicine.**

Today, physicians are often unable to have frank conversations with their patients about the costs and benefits of health care services.

This poses a key obstacle for physicians who want to treat the whole person, not just the medical condition. It can also lead to mistrust, and can sometimes cause patients to forgo needed care out of concerns about cost that could be alleviated with greater access to information.

It is also a missed opportunity to lower the cost of care. Recent research indicates that making prices available for individual procedures can bring down costs by encouraging active consumerism and fostering price competition.<sup>iii</sup>

SB 900 will not represent a significant step in this direction. While physicians could potentially use the OHA data to provide their patients with advice about which hospitals are generally more expensive, this information would not necessarily be enough to inform an individual patient about where to go to get the best value.

**SB 891 applies to all health care facilities; SB 900 only applies to hospitals and hospital outpatient clinics.**

Hospitals are not the only provider of expensive health care services. Ambulatory surgery centers, independent imaging centers and other non-hospital clinics are key health care providers for many Oregonians, and their prices may vary significantly from hospital prices. SB 891 would enable

Oregonians to make a better-informed decision about whether a hospital or another kind of health care facility would be the best place to receive the care they need. SB 900 would not provide this information.

*SB 891 and SB 900 at a Glance*

	<b>Senate Bill 891</b>	<b>Senate Bill 900</b>
What information would be provided?	Current prices for the top 100 inpatient and top 100 outpatient procedures.	Historical average amounts collected by Oregon hospitals for the top 50 inpatient and top 100 outpatient procedures.
Where would the information come from?	The rate negotiated between health care providers and insurers.	Aggregated averages from the state's All Payer, All Claims (APAC) database, which receives data from insurers and government programs.
Who provides the information?	Licensed health care facilities in Oregon would post their own prices.	The Oregon Health Authority (OHA) would create a website and post the information.
Where would consumers get the information?	Directly from health care facilities, via a website or in person at the facility, or from online shopping services like Amazon.	From the OHA's website.
How accurate, current and actionable would the price information be?	Prices would be current and specific to the consumer's health plan. Consumers could calculate their out-of-pocket costs with the data.	Data will be historical averages that could vary widely from what the consumer is actually responsible for.
Could consumers get an up front price estimate?	Yes.	No.

Notes

<sup>i</sup> The Statesman-Journal's full coverage is available at <http://www.statesmanjournal.com/story/news/health/2015/03/17/two-oregon-bills-target-health-care-cost-transparency/24898103/>

<sup>ii</sup> For more on this voluntary agreement, read the Bend Bulletin's coverage of the issue, available at <http://www.bendbulletin.com/health/2965469-151/oregon-bills-look-for-price-transparency-for-medical-services>

<sup>iii</sup> E.g., a demonstration project showed that providing up-front prices for MRI scans increased use of less costly providers and encouraged price competition. The study is available at <http://content.healthaffairs.org/content/33/8/1391.abstract>